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SUBJECT: SCENESETTER: MALIKI HEADS TO THE WASHINGTON INVESTMENT CONFERENCE AMID SIGNS OF PROMISE AND RISK

Classified By: Ambassador Christopher R. Hill, for reasons 1.4 b and d.

¶1. (C) Maliki's visit to Washington for the Business and Investment Conference comes at a time of great promise and significant risk for Iraq. Maliki himself has unhitched his political fate from the Shia power brokers who made him Prime Minister four years ago and has embarked on a political journey that has left them both angry and worried. It is politically risky for Maliki. So far, he has failed to assemble the truly cross-sectarian coalition he anticipated, and it remains to be seen whether Maliki can mount a persuasive appeal to voters across sectarian lines in its absence. He will continue to appeal to voters on a security platform and point out that overall incidents of violence and terror continue to trend downwards. Nonetheless, the August 19 bombings of the Ministries of Foreign Affairs and Finance -- and periodic lower signature terror attacks and episodes of sensational violent crime -- have hurt him politically, undermining Iraqis' growing conviction that the country had moved irreversibly beyond such mayhem. We should also not overstate Maliki's political courage: it is largely a move dictated by practical politics. His former Shia allies are determined not to let him continue as prime minister if they win.

¶2. (C) The risk for Maliki is that his vision of an Iraq that will transition quickly from heavily sectarian voting patterns to a more sophisticated one that reflects Iraq's cross-sectarian, nationalist character will prove faulty. The promising evidence provided by such voting patterns in the January 2009 provincial elections, which so encouraged Maliki, could prove illusory as politics-as-usual reasserts itself and Iraqis retreat behind sectarian and ethnic fears, possibly encouraged by a closed list voting system, small-minded politicians appealing to peoples' worst fears, and a predictable spate of violence. The promise of open lists, a relatively secure election, and an arguably nationalist candidate with cross-sectarian appeal is nonetheless within Iraq's grasp, and it is that prospect that gives the upcoming January elections such extraordinary interest and appeal. They will also have appeal because of the uniqueness in the region of a highly contested, issues-charged election. Except for Lebanon, no country in the region in recent memory has held -- or has the promise of holding -- such a hotly contested, fairly organized election.

¶3. (C) While Maliki has matured as a political leader, and shows promise as an Iraqi nationalist politician and as a believer in Iraq's democratic system (where the majority Shia are destined to have a leading role), he also has significant shortcomings. He tends to be impulsive and somewhat vindictive, relies on a tight circle of close advisors, and seems to lack the Iraqi version of the "the schmooze factor" that could ease his way politically. He has demonstrated a pronounced tendency to overly concentrate power (a dangerous and long-standing tendency in modern Iraqi history, pre-dating Saddam), and to stand up security elements under

his unique control to back up that concentration. Occasionally paranoia blinds his better judgment and renders him petty and stubborn, in ways that are not in his or Iraq's interest. A bit prickly and defensive if approached wrongly on an issue, he can also be funny and insightful about the shortcomings of Iraq's political class. A significant list of shortcomings of Iraq's political class. A significant list of faults included here, obviously, but in comparison with most of his current rivals, the list seems relatively short and manageable. On the other hand, one could also cite his attributes, including his impressive ability to communicate via the spoken word to Iraqis.

¶4. (C) On the eve of Maliki's visit, the Council of Representatives (COR) has struggled to pass a timely election law and has embarked on an ill-advised mini-witchhunt of Iraq's electoral commission, a key institution at this critical time. Nonetheless, such political struggles and misguided political attacks are to a certain degree the coin of the realm in a young democracy. Issues such as the voter registration lists in Kirkuk and the type of voting system for the election (whether voting for parties only in a closed list or for individual candidates in an open list system) -- as well as efforts to exercise the parliamentary oversight function -- indicate that the Council is on the right path, even if COR members don't always get the balance or the priorities exactly right. And we will remain vigorously engaged to ensure they get that balance right and move forward with timely elections.

¶5. (C) Despite its legislative stumbles, the COR has managed to get serious legislation passed. It recently approved the investment law, a key step that will improve the business

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climate for American investors. It also passed the British "SOFA" agreement the same day, ensuring that Iraq's oil platforms will be protected and its young navy trained properly, and that we will have some burden-sharing from a key ally, as our military forces downsize.

¶6. (C) As Maliki heads to Washington, he must confront significant foreign policy risks back in the region. The crisis in relations with Syria seems entrenched but manageable at present. Maliki and FM Zebari remain fixated on getting UN follow-through on appointing a senior official to investigate the broader terror context of August 19. And they clearly feel that the United States has not pressed the issue forcefully enough. Those feelings have been exacerbated by Iraqis' sense that the run-up to the elections, election day, and post-election government-formation period, against the backdrop of the draw-down of U.S. forces, represent a hazardous time for Iraq. It is a time, in their view, when Iraq's exceptional promise for the future is exposed and vulnerable, particularly to neighbors who, in Iraqis' worst fears, seem bent on interfering in electoral maneuvering, manipulating Iraq's internal security in destabilizing ways, and preserving the value of political assets they have developed in Iraq over the past six years. These Iraqi insecurities, based on real and imagined threats, help explain the GOI's tenacious appeal for the appointment of a UN senior official and point to the risks we face if we are unable to minimally satisfy that demand.

¶7. (C) Chapter VII issues present another significant foreign policy challenge. On nearly every one of the ten security council resolutions, Iraq finds itself lacking the institutional capacity or the political will to make progress on its own. Under the terms of the Security Agreement, we promised our "best efforts" to help Iraq exit from Chapter VII status. UNSCR 833 poses a particularly tough challenge for the Iraqis, with Maliki and his key advisors unable to accept the maritime boundary that resolution enshrines with Kuwait. It is promising that the MFA (and key figures like Talabani) understand the political realities and acknowledge

that Iraq must accept the border as drawn. The risk is that domestic politics transforms the short-term Maliki electoral calculation into longer-term political resentment against Kuwait. The oil-for-food and WMD resolutions and a few others show more promise, but progress will not be easy.

18. (C) There has been significant Iraqi regional integration since 2008 and GOI the post-August 19 fears that those gains were at risk now seem a bit overstated. Relations with Turkey in particular are trending in a very positive direction, reinforced by the successful October 15 visit of PM Erdogan. Perhaps Iraq's continued engagement in the GCC 3 (and the Arab League) will help Iraq's relations with Saudi Arabia, as would Riyadh's decision to send an ambassador to Baghdad. Iran, with all its levers of influence, will continue to pose special -- often troubling -- challenges as Iraq seeks to chart an independent course in the region. Iraq's Arab neighbors and Iran appear to share one objective that starkly contrasts with our and Iraq's view of Iraq's future, and that is a weak government in Baghdad.

19. (C) Maliki comes to Washington amid all these signs of promise and risk in Iraq. Iraq is poised now as a young democracy in an autocratic region, viewing itself as a Qdemocracy in an autocratic region, viewing itself as a country emerging from a successful struggle with Islamic extremism (an ideological force whose currency Iraq's struggle has helped to devalue significantly in the region), and a "golden connection" for Sunni-Shia and Arab-Persian differences. That is the promise that lies behind Maliki's visit to Washington for the investment conference. The risks he and Iraq face on the home front we all know.

HILL